



## Congress of the United States House of Representatives

March 8, 2023

The Honorable Kevin McCarthy  
Speaker of the House  
H-232, U.S. Capitol  
Washington, D.C. 20515

Dear Speaker McCarthy:

Our most basic duty as Members of Congress is to protect the well-being and security of our constituents. If Republicans block America from paying our bills, it would be a gross betrayal of our governing responsibility and invite cataclysmic damage to our economy. Therefore, I call on the House to advance legislation to raise our debt limit and prevent a second Great Depression.

It has been 48 days since the United States reached its current statutory limit and the Treasury Department began taking extraordinary measures to prevent a default.<sup>[1]</sup> On February 15, the Congressional Budget Office raised the specter of a default as soon as July without urgent congressional action.<sup>[2]</sup> Congress has acted to raise or suspend the debt ceiling 49 times under Republican presidents and 29 times under Democratic presidents. This is a bipartisan responsibility.

According to the Council of Economic Advisors (CEA), if the debt ceiling is not raised, Social Security checks will come to a halt and seniors will be without means to eat or turn on the heat. Medicare reimbursements will freeze, leaving tens of millions of Americans unable to pay for essential medical care. Our veterans will see their health care cut off.<sup>[3]</sup>

It gets worse. The collapse of available credit would send shockwaves through the economy, leading to a bank run and a decimation of small businesses. The cost of borrowing would soar, leaving new homebuyers locked out of the housing market and causing regular people to lose everything. The jobless rate would skyrocket, with millions of Americans losing their jobs and elevated unemployment lingering indefinitely.<sup>[4]</sup> Markets would be thrown into a panic and retirement accounts would evaporate like vapor. Testimony to the Ways and Means committee in 2013 from the former Chief Economist of the International Monetary Fund postulated that the impact of default would be ten times worse than the 2008 recession.<sup>[5]</sup>

<sup>[1]</sup> U.S. Department of the Treasury, Secretary of the Treasury Janet L. Yellen Sends Letter to Congressional Leadership on the Debt Limit (January 13, 2023), <https://home.treasury.gov/news/press-releases/jy1188>

<sup>[2]</sup> Congressional Budget Office, The Budget and Economic Outlook: 2023 to 2033 (February 15, 2023), <https://www.cbo.gov/publication/58848>

<sup>[3]</sup> Council of Economic Advisers, Life After Default (October 6, 2021), <https://www.whitehouse.gov/cea/written-materials/2021/10/06/life-after-default/>

<sup>[4]</sup> *Id.*

<sup>[5]</sup> Committee on Ways and Means, The Debt Limit (January 22, 2013), <https://www.govinfo.gov/content/pkg/CHRG-113hhrg21129/pdf/CHRG-113hhrg21129.pdf>

Republican-precipitated default would be just as devastating for the global economy. America's treasury debt is considered the world's safest asset and the dollar acts as the globe's reserve currency.<sup>[6]</sup> World confidence in our entire economy would be irreparably wounded by default.

When Republicans put our nation's credit on the line, the result has been widespread turmoil and suffering. After Republicans threatened to breach the debt ceiling in 2011, Standard and Poor's downgraded the U.S. long-term credit rating for the first time in history.<sup>[7]</sup> Private sector hiring froze, job growth withered, and consumer sentiment dropped to its lowest level in 30 years.<sup>[8]</sup> The Government Accountability Office (GAO) estimated that federal borrowing costs increased by about \$1.3 billion, while the Bipartisan Policy Center estimated that the 10-year cost to taxpayers was a staggering \$18.9 billion.<sup>[9]</sup>

In 2013, when Republicans tried this play again, our nation experienced an annualized 0.25 percentage point reduction in annualized fourth quarter gross domestic product growth, resulting in an estimated 120,000 lost jobs.<sup>[10]</sup> Investors stopped accepting Treasury bonds as collateral for short-term transactions, and the government was forced to pay higher interest rates at auction.<sup>[11]</sup> Treasury's borrowing costs on securities increased by an estimated \$38-to-\$70 million, and rates for commercial paper also rose, disrupting private markets. After Republicans yet again menaced our nation's credit in 2015, the Treasury Department postponed the release of a new 2-year bond due to lack of demand, and was forced to reduce bill issuance, leading to a drop of \$210 billion in bill supply.<sup>[12]</sup>

The full faith and credit of America is not a bargaining chip to be gambled whenever Republicans want to reverse policy they don't like. Refusal to let our nation pay its bills would lead to a domino effect of catastrophic proportion. The effects of failing to raise the debt ceiling are real, tangible, and would be felt by every American family and business.

Given these risks, I ask: where is the Republican plan to raise the debt ceiling and when can we expect its consideration before Congress?

Sincerely,



Bill Pascrell, Jr.  
Member of Congress

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<sup>[6]</sup> Federal Reserve, Possible Macroeconomic Effects of a Temporary Federal Debt Default (October 4, 2013), <https://www.federalreserve.gov/monetarypolicy/files/FOMC20131004memo02.pdf>

<sup>[7]</sup> Reuters, United States loses prized AAA credit rating from S&P (August 5, 2011), <https://www.reuters.com/article/us-usa-debt-downgrade/united-states-loses-prized-aaa-credit-rating-from-sp-idUSTRE7746VF20110806>

<sup>[8]</sup> Washington Post, U.S. adds no net jobs in August; unemployment remains 9.1% (September 2, 2011), [https://www.washingtonpost.com/business/economy/us-adds-no-new-jobs-in-aug-unemployment-remains-91percent/2011/09/02/gIQAwwNYwJ\\_story.html](https://www.washingtonpost.com/business/economy/us-adds-no-new-jobs-in-aug-unemployment-remains-91percent/2011/09/02/gIQAwwNYwJ_story.html); Reuters, Consumer sentiment tumbles in August (August 12, 2011), <https://www.reuters.com/article/us-usa-economy-sentiment/consumer-sentiment-tumbles-in-august-idUSTRE77B34220110812>

<sup>[9]</sup> Government Accountability Office, Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs (July 23, 2012), [Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs](https://www.gao.gov/products/gao-15-476) | U.S. GAO

<sup>[10]</sup> Council of Economic Advisers, Economic Activity During the Government Shutdown and Debt Limit Brinkmanship (October 22, 2013), [https://obamawhitehouse.archives.gov/sites/default/files/docs/weekly\\_indicators\\_report\\_final.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/weekly_indicators_report_final.pdf)

<sup>[11]</sup> Government Accountability Office, Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches (July 9, 2015), <https://www.gao.gov/products/gao-15-476>

<sup>[12]</sup> U.S. Department of Treasury, Remarks by Assistant Secretary for Financial Markets Joshua Frost on the Historical and Current Perspectives on the Debt Limit at the Federal Reserve Bank of New York's Annual Primary Dealers Meeting (December 1, 2022), <https://home.treasury.gov/news/press-releases/jy1136>